



MSM TRADING RULES

MASERU SECURITIES MARKET

FEBRUARY 9, 2023
MASERU SECURITIES MARKET
CENTRAL BANK BUILDING, CNR AIRPORT AND MOSHOESHOE ROADS

Table of Contents

Definition of terms.....	3
APPLICATION OF THESE RULES	5
PERSONS PERMITTED TO TRADE /ADMISSIONS TO THE TRADING FLOOR.....	5
CODE OF CONDUCT FOR MEMBERS AND THEIR AUTHORISED DEALERS.	5
DISPUTES.....	6
VIOLATIONS.....	7
TRADING TIMES	7
TRADING OUTSIDE THE MSM	7
MINIMUM BOARD LOT AND PRICE FLUCTUATION.....	7
BAN ON FICTITIOUS TRANSACTIONS	7
PRIORITY ON CLIENT ORDERS /TYPES OF ORDERS, EXECUTION CONDITIONS AND TRADING FUNCTION	7
BEAR / SHORT SELLING	7
TRANSFERS AND PLEDGES	7
SPECIAL BARGAIN.....	8
BOOK-OVER PROCEDURE.....	8
TRADING PROCEDURE.....	8
TRADING STATUS OF THE SECURITY	9
TRADING HALTS	9
SECURITY HALTS AND ORDER MODIFICATION	10
CANCELLATION OF ORDERS.....	10

MASERU SECURITIES MARKET

DEFINITION OF TERMS

Aggrieved Party	Any person whose financial, personal, or property rights or interests are adversely affected by an act of another or an order, judgement or statute;
Bear sale also known as short sale	Sale of shares before they are purchased. ie a sale of an asset that a seller does not own;
Board lot	Standardised number of shares defined/set by the MSM as a trading unit to facilitate easier trading based on a given price range for a security;
Broker	a person or company who works as a go-between for their clients and MSM;
Clients	Customers who need services from MSM.
Deal Slip /note	Receipts for trades, providing proof that a transaction is executed at a specific price. It shows information such as trade and settlement date, amount traded, parties engaged in a trade and type of transaction
Dealer	Also known as a trader. Means a person or firm in the business of buying and selling securities under its own name or account, whether through a broker or otherwise;
Disputes	An act of verbal disagreement or violence;
MSM	In this document refers to Maseru Securities Market;
Ex-date	The day the stock starts trading without the value of its next dividend payment
Fictitious transactions	Securities orders traded /designed in order to give the impression that the market is moving in a certain direction while they were not executed;
Gambling	Trading in a way that completely brings about an uncertain dichotomous outcome;
Misconduct	Not conforming to the code of conduct as appears in this document;
Members	Licensed securities companies registered with MSM to trade with other members for their own accounts (proprietary trading) and for their respective clients (agency trading).
Nominees or authorized	An individual duly authorized by a trading participant to

representative	exercise and carry out trades for and on its behalf, all its rights and obligations in the operations of or in connection with the ownership of its trading right pursuant of MSM by- law and application rules;
Reprimand	Formal expression of disapproval;
Special bargain	A transaction in securities which is beyond the capacity of the market at the prevailing price;
Trading Floor Administrator	An individual who prepares and facilitates trading of securities on the trading floor;
Trading Floor	An area within MSM where brokers/ broker dealers trade in shares or other securities;
Trading halts	Occurs when a MSM stops trading on a specific security for a certain time;
Trainee	An individual taking part in a training program within a company.

MASERU SECURITIES MARKET

APPLICATION OF THESE RULES

- 1.1. These rules shall apply to all securities listed on MSM.
- 1.2. The MSM shall ensure that:
 - a) all dealers are treated equally on the trading floor; and
 - b) insider trading is prohibited and that all information disseminated by the MSM is made available simultaneously to all members.

PERSONS PERMITTED TO TRADE /ADMISSIONS TO THE TRADING FLOOR

- 1.3. Unless the MSM authorizes otherwise, only the following persons shall be allowed access to the trading floor;
 - a) traders;
 - b) Dealers;
 - c) Trading floor assistants;
 - d) Nominees or registered traders or dealers, and
 - e) One-time trainee for the period not exceeding six (6) months
- 1.4. The MSM does not recognise in its dealings, any other parties other than its own members in section 1.3. **Only authorised dealers are permitted to trade.**
- 1.5. A trainee shall be under the supervision of an authorised trader at all times and shall;
 - a) not solicit clients or deal directly with clients;
 - b) not be paid any form of commission, salary or other compensation, except for reasonable allowance, and
 - c) The trading participant shall immediately inform MSM in writing of the hiring of such trainees and shall comply with all orders or regulations of MSM in relation to such hiring.
- 1.6. Dealers and traders who have outstanding annual fees will not be permitted to trade on MSM. The fees are payable in January of each year;
- 1.7. Each member shall have a unique trading code.

CONDUCT FOR MEMBERS AND THEIR AUTHORISED DEALERS.

- 1.8. When conducting their business on the MSM, members and their authorised dealers shall at all times observe high standards of integrity and fair dealing, and in particular shall;
 - a) act with duty of care, skill, and diligence;
 - b) Avoid or disclose any conflict of interest with their clients;
 - c) execute orders promptly;
 - d) not do anything that will adversely affect the reputation or public image of the MSM;
 - e) report any trading disputes in which they are involved to MSM promptly;
- 1.9. Members shall ensure that their dealers, or nominees comply with the MSM trading rules at all times and any other directive issued from time to time in respect of the operations of the MSM.
- 1.10. MSM reserves the right to deny access to persons who are in breach of the trading rules.
- 1.11. Members shall ensure that all persons on the trading floor are trained and equipped with necessary skills to perform their respective duties.
- 1.12. The use of mobile phones on the trading floor is generally not permitted and will only be allowed to an extent that it does not interrupt the trading process.
- 1.13. Trading will not be stopped to accommodate trade confirmation by telephone.

- 1.14. Members shall ensure that their representatives refrain from the following offenses that are deemed to be detrimental to the interest of MSM and are strictly prohibited in the trading floor
- a) Bringing food/drinks/liquor
 - b) Trading under the influence of alcohol/drugs
 - c) Non-compliance with the dress code as provided in member's rules
 - d) Possession of guns and other deadly weapons
 - e) Damaging and vandalizing MSM property
 - f) Engaging in disruptive behaviour
 - g) Immoral conduct or indecent acts
 - h) Theft
 - i) Gambling
 - j) Smoking
 - k) Repetitive offences

DISPUTES

- 1.15. Disputes on the trading floor, shall be reported immediately to the MSM trading floor administrator. The administrator must escalate the reported issue immediately to the MSM senior officials for intervention
- 1.16. Trading floor administrator shall be responsible for interpreting the trading rules and settling all disputes on the trading floor;
- 1.17. Any Person aggrieved by any decision of the trading floor administrator may appeal to the senior officials of MSM. If the aggrieved party is not satisfied with the decision of the senior officials of MSM, s(he) may appeal to the registrar of capital markets;
- 1.18. A deal which, in the opinion of the trading floor administrator, is irregular or is in contravention of the capital market regulations, these trading rules, directives and resolutions of the MSM, shall be put on hold until it has been assessed by the senior officials of MSM;
- 1.19. A deal executed on the trading floor shall be binding on both parties unless an appeal is lodged with the trading floor administrator who shall report it to the senior officials of MSM. If, after an investigation an error is detected, MSM may take any action which s/he deems fit, which may include the cancellation of the trade;
- 1.20. Any disputes arising between dealing members in connection with the MSM transactions, including the interpretation or application of any rule in connection with dealing members' rights and obligations, shall be brought to MSM for adjudication before any of the aggrieved member institutes any legal, arbitration or other proceedings against another dealing member;
- 1.21. The MSM may refuse to adjudicate or may, on hearing any case, make any order, other than an order for monetary damages, as it deems fit;
- 1.22. A member who refers a matter to the MSM for adjudication shall:
- l) state clearly in writing the issues involved and the nature of the dispute;
 - m) not be entitled to be represented by a legal representative;
 - n) pay the fee prescribed by the MSM for an adjudication.
- 1.23. The MSM may make use of recording devices as means of recording the proceedings and collecting evidence for any trading dispute.

VIOLATIONS

- 1.24. The trading floor administrator may, refer the cases of violations of these rules to the MSM senior officials for further guidance;
- 1.25. Any member or his authorised dealers, who, in any circumstances, either directly or indirectly breaks these rules, shall be liable of any or more of the following penalties;
 - a) reprimand;
 - b) fine as prescribed in the MSM members rules;
 - c) suspension;
 - d) termination of membership and motivation to the Registrar of Capital Markets (Central Bank of Lesotho) to withdraw the licence.
- 1.26. All violations of these rules shall be recorded in the register maintained by the MSM.

TRADING TIMES

- 1.27. Trading shall take place at the CBL premises or any other place designated by MSM, on Monday to Friday, excluding holidays.
- 1.28. Trading shall be conducted in sessions commencing at 10:00hrs-15:00hrs with lunch at 12:45hrs-14:00hrs or other such time determined by the MSM.
- 1.29. Where trading times are varied, the MSM shall issue a notice regarding the same at least 2 days before the day the trading time is varied.
- 1.30. Trading times shall be determined by the clock in the MSM trading room.

TRADING OUTSIDE THE MSM

- 1.31. Trading of MSM listed securities outside the trading floor is strictly prohibited. Any breach shall be liable to a fine of M5,000. Except trading of T-Bonds which is allowed to be both on MSM and over the counter.

GENERAL TRADING OPERATIONS

MINIMUM BOARD LOT

- 1.32. Share shall trade at a minimum board lot of 100 shares and
- 1.33. M5000 Face Value of bonds

BAN ON FICTITIOUS TRANSACTIONS

- 1.34. No dishonest or fake transactions or contracts shall be made on the MSM floor. Each member shall transact his (her) business openly and fairly and in accordance with these trading rules.

PRIORITY ON CLIENT ORDERS /TYPES OF ORDERS, EXECUTION CONDITIONS AND TRADING FUNCTION

- 1.35. Clients' orders shall have priority and be executed before the members' orders on the trading floor.

BEAR / SHORT SELLING

- 1.36. No member shall short sell any securities listed on MSM.

TRANSFERS AND PLEDGES

- 1.37. Transfers and pledges are permissible by the MSM

SPECIAL BARGAIN

- 1.38. Transactions in special bargains may be put through at such price as is agreed to by both the purchasing and the selling client.
- 1.39. In order to establish if a special bargain is beyond the capacity of the market at the prevailing price, the following procedure is carried out in the trading room:
 - a) the buying and the selling brokers who wish to conclude the bargain, or the dealer who wishes to book over the bargain, shall declare details of the transaction (volume and price);
 - b) Only if the market as a whole agrees that the transaction falls within the definition of “special bargain” and that the price is reasonable, shall the transaction go through;
 - c) No splitting of the volume of the special bargain will be allowed;
 - d) In the event of the market being able to bid a higher price or offer at a lower price, for the same quantity of securities involved in a special bargain, the proposed transaction shall not go through.
- 1.40. Details of special bargain shall be marked and reported to the MSM Trading Floor Administrator by the broker (s) concerned.

BOOK-OVER PROCEDURE

- 1.41. A member having orders to buy and to sell the same security may book-over the bargain provided that;
 - a) S(he) shall first test the market by quoting two-way pricing which in the prevailing market conditions is fair and equitable to both the buyer and the seller.
 - b) Other brokers are satisfied that the price is fair and equitable;
- 1.42. If any member bids to purchase at a higher price, or offer to sell the security at a price lower than the proposed book-over, the book-over shall be concluded only in respect of the securities not bought or sold.
- 1.43. Other dealers are entitled to 10% book-over volume at the book-over price.

TRADING PROCEDURE

- 1.44. The adopted trading system shall be an open outcry/call-over where brokers shall trade on a designated trading floor;
- 1.45. The MSM reserves the right to delay the opening of trading session where there is need for orderly trading;
- 1.46. In the event that MSM delays the opening of the trading session, communication shall be made to traders as soon as the decision is made to delay the trading;
- 1.47. Trading shall be administered by the MSM trading floor administrator who shall ring the bell at the beginning of the trading session to mark commencement of the trading session;
- 1.48. The trading floor administrator shall call counter orders in turn and dealers shall state their orders for recording;
- 1.49. The highest bid price and lowest offer price will be recorded. Where similar prices are shouted, the first order shouted first shall be executed;
- 1.50. The trading floor administrator shall record the trades as they occur and shall not in any way influence the decision of the traders;
- 1.51. After matching all orders, the trading floor administrator will ring the bell to indicate the closing of the trading session;

- 1.52. Traders will check all the trades before the dealing slip is printed for their signatures. Once the traders sign the deal slip, the information will be taken as an official trading record for the day's trading activities.
- 1.53. The trading records maintained by the MSM are admissible evidence of transaction that took place on the trading floor;
- 1.54. The matching of trades for settlement and final allocation of trades will both be done at T+0
- 1.55. Members shall issue their clients with a deal note within twenty-four (24) hours of a deal being concluded;
- 1.56. The deal note shall bear the words "Member of the Maseru Securities Market" and "This note is issued in accordance with the rules of the Maseru Securities Market";
- 1.57. The deal note shall state clearly the name of the security, the price at which the trade was executed, the quantity of securities, the commission, any other fees charged by the dealing member and the net amount payable by the client;
- 1.58. Members shall keep complete records and accounts of their business dealings in securities and retain supporting documents for each concluded trade for audit trail, be able to respond to their clients' queries pertaining to best execution and other related disputes in future;
- 1.59. Generation of pre-settlement report will be at T+1 while trade settlement and final settlement report will be at T+3;
- 1.60. MSM decisions shall be final and binding on the parties involved.
- 1.61. Cancellation of transactions can only be done with the approval of MSM;
- 1.62. The Daily Market Report, reflecting the daily trading activities for the day will be disseminated every day after trading through emails and will also be displayed on MSM trading board.
- 1.63. Where there is a delay in sending the report, a message to that effect shall be sent to the market through emails giving reasons for the delay.

TRADING STATUS OF THE SECURITY

The following status shall be indicated against individual securities in accordance with the information at hand.

Information	Note on the Trading Board	Symbol on the daily market report
Trading of the security has been halted till further notice	Halted	H
The security has suspended from trading	Suspended	S
The security is trading cum dividends	Cum Div	CD
The security is trading cum right	Cum Rights	CR
Qualified Auditors Opinion	Qualified	Q
The issuer has not published its financial information	Financials	FI
The security is trading under cautionary	Cautionary	CA
Security has released some news	news	NW

TRADING HALTS

- 1.64. MSM may call a temporary trading halt if he deems that a disorderly market has developed;

- 1.65. A market halt can occur during a trading session where, circumstances exist, or are about to occur that could affect the transparency, fairness and orderly trading of listed securities;
- 1.66. The MSM shall make a press announcement of a market halt that extends beyond one trading session.

SECURITY HALTS AND ORDER MODIFICATION

The MSM may temporarily halt trading in one or more securities in the following circumstances;

- 1.67. Upon request of the issuer where the MSM agrees that the security halt will benefit the whole market;
- 1.68. By the MSM;
 - (a) where there is a market movement of the price/volume of the security beyond allowable threshold from the previous recent trade;
 - (b) where the issuer had not made public any price sensitive information, which, has leaked to the market. The halt will be lifted upon the issuer making an announcement on the information in question;
 - (c) where, circumstances exist or are about to occur that affects transparency, fairness and orderly trading of the specific securities.
- 1.69. The MSM shall inform the issuer of any halt in the trading of its securities within 1 hour after the halt has been imposed;
- 1.70. The maximum allowable period for a trading and security halt shall not exceed 3 trading days.

CANCELLATION OF ORDERS

- 1.71. Cancellation of any remaining unexecuted portion of a partially matched order is allowed;
- 1.72. MSM shall cancel the following orders that are deemed invalid:
 - (a) Orders of a certain security in the event of corporate actions resulting in an adjustment of the price;
 - (b) Orders on the ex-dividend date for securities with cash and/or property dividends or
 - (c) Orders for securities that cross a board lot.

MASERU SECURITIES MARKET